



# State of Louisiana

## Department of Environmental Quality

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M.J. "Mike" Foster  
Governor

J. Dale Givens  
Secretary

### **LOUISIANA FIRM TO TAKE OVER AND IMPROVE SEWAGE TREATMENT SYSTEMS UNDER DEAL WITH ENVIRONMENTAL AGENCIES**

**T**otal Environmental Solutions, Inc. (TESI), the United States, and the Louisiana Department of Environmental Quality (LDEQ) have reached an agreement that will bring 172 sewage treatment plants in Louisiana into compliance with federal and state environmental laws.

TESI plans to purchase these sewage and water treatment systems that were formerly owned by Johnson Properties, Inc. While operating the facilities, Johnson Properties and its subsidiaries violated environmental laws and allowed the plants to discharge poorly treated and even raw sewage into surrounding communities.

Today's agreement clears the way for the control of the plants to be permanently removed from Johnson Properties and transferred to TESI, a wholly owned subsidiary of South Louisiana Electric Cooperative Association. TESI, which will take over operations after closing on the sale of the plants, is not at fault for past pollution caused by Johnson Properties.

"The transfer of this business from habitual polluters to TESI will help protect public health," said Lois Schiffer, Assistant Attorney General in charge of the Environment at the Justice Department. "This case is a laudable example of how the federal-state partnership can effectively address difficult environmental challenges."

Under the settlement filed in U.S. District Court in Lafayette, La., TESI acknowledges that the plants require changes in operation and maintenance, and numerous capital improvements, in order to comply with state and federal regulations governing the treatment and disposal of sewage.

The agreement includes a schedule for TESI to bring the facilities into compliance, taking into account their poor condition. Within one year of taking over the plants, TESI is required to repair or replace disinfection equipment to ensure the facilities comply with limits for fecal coliform bacteria. Within two years, TESI must make repairs and improvements that will bring the plants into compliance for all other permitted discharge limits. Within four years, TESI is required to complete all improvements needed for long-term environmental compliance.

TESI has agreed to use its best efforts to ensure that sewage treatment services are not interrupted and do not deteriorate during or after the transition of ownership.

Louisiana Department of Environmental Quality (LDEQ) Secretary J. Dale Givens said, "I am very pleased with the results of the joint effort by the federal and state partners. The combined efforts of the U.S. Justice Department, the U.S. Environmental Protection Agency, the Louisiana Public Service Commission, the Louisiana Department of Health and Hospitals, the Louisiana Department of Environmental Quality and the courts have brought about a very good solution to a very serious environmental problem."

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“This settlement demonstrates how the federal government and states can develop sound solutions to protect public health, our children and families,” said Steve Herman, EPA’s Assistant Administrator for Enforcement and Compliance Assurance. “We remain vigilant in protecting our waterways and committed to comprehensively addressing violations of our environmental laws.”

## ***Background***

In 1998, the United States and Louisiana filed a civil suit against the former operators of the sewage plants – Johnson Properties, *Acadiana Treatment Systems*, and other subsidiaries – for Clean Water Act violations. Each of the 170 plants often discharged poorly treated, and sometimes untreated, sewage into local waterways and drainage ditches. Johnson Properties and its subsidiaries once controlled the greatest number of privately-owned treatment facilities in Louisiana, and from the mid-1990s until 1999, the company operated about 230 facilities in Mississippi, South Carolina, North Carolina, Tennessee, Louisiana and Pennsylvania.

Johnson Properties signed a settlement in July 1998 with the United States and Louisiana requiring the company to repair the plants and operate them according to the law. But in December 1998, inspections of 73 of the plants showed that none of them complied with the terms of the settlement. Consequently, the United States and the LDEQ asked a federal court to appoint a receiver to replace the Johnson management and operate the sewage treatment plants.

In March 1999, the court appointed a receiver for Johnson Properties, its assets, and all its subsidiaries. Johnson Properties soon filed a bankruptcy petition in the federal bankruptcy court. However, the bankruptcy court appointed the receiver to also serve as the [bankruptcy] trustee of Johnson Properties and its assets.

The trustee/receiver concluded that the Johnson Properties system of sewage treatment plants would not comply with environmental regulations without extensive capital improvements. The trustee/receiver also found that, for the facilities to comply, it would be necessary to find a purchaser willing to buy the entire system; enter into an agreement with the EPA and LDEQ for an environmental compliance plan; and invest its own capital in the facilities.

The trustee’s reorganization plan provided for the sale of all of the assets of Johnson Properties, Inc., and its corporate subsidiaries. The trustee conducted an auction and later announced that all of the assets of Johnson Properties would be sold to TESI.

Today’s settlement prohibits TESI from transferring ownership or control of the facilities to Glenn K. Johnson, Darren K. Johnson, or Michael Johnson, the owners of Johnson Properties. The United States prosecuted Glenn K. Johnson in two separate criminal cases that are distinct from the civil court proceedings announced today. In August 2000, Glenn K. Johnson pleaded guilty to bank fraud charges in connection with a loan he used to buy sewage treatment plants in Louisiana. He was sentenced to 51 months incarceration. Glenn K. Johnson also pleaded guilty in February 2000 to conspiring to violate the Clean Water Act, and for this charge he was sentenced to 36 months incarceration, to be served concurrently.

The civil settlement lodged today must be approved by U.S. District Judge Tucker Melancon following a 30-day period in which the public may comment on the settlement terms.